

Financial Statements and
Related Information

2015

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015



Strothman+Co

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**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

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Independent Auditors' Report



Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

Report on Financial Statement

We have audited the accompanying combined statement of fiduciary net position of the Middle School Activity Funds (the "Activity Funds") of the Jefferson County Board of Education (the "District") as of June 30, 2015, and the related notes to the combined statement of fiduciary net position, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined statement of fiduciary net position referred to above presents fairly, in all material respects, the net position of the Activity Funds of the District as of June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (Unaudited) on pages 3 and 4 be presented to supplement the combined statement of fiduciary net position. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis (Unaudited) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statement, and other knowledge we obtained during our audit of the financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined statement of fiduciary net position taken as a whole. The combining information listed in the preceding table of contents on pages 9 through 16, is presented for purposes of additional analysis and is not a required part of the financial statement of the Activity Funds of the District.

This combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued a report dated November 6, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance related to the Activity Funds.


Louisville, Kentucky
November 6, 2015

Management's Discussion and Analysis (Unaudited)

Jefferson County Board of Education Middle School Activity Funds

June 30, 2015

The management team of the Jefferson County Board of Education (the "District") presents this Management's Discussion and Analysis (Unaudited) of the Middle School Activity Funds (the "Activity Funds") for the fiscal year ended June 30, 2015. Please read it in conjunction with the Activity Funds' financial statement on page 5.

Government Structure

The twenty-seven middle schools, special educational schools and other related facilities sponsor programs to supplement the activities provided by the District. These supplemental activities are accounted for in various funds categorized by the particular activity or group involved. The District prescribes policies for the supervision and administration of the Activity Funds, and generally has custodial responsibility over these funds. Such custodial responsibility is mandated by the Kentucky Department of Education.

Basic Financial Statements

This financial report includes the combined statement of fiduciary net position and combining statements of fiduciary net position and cash receipts and disbursements for all twenty-seven middle schools. The Independent Auditors' Report on this information precedes this Management's Discussion and Analysis (Unaudited).

The Activity Funds of the District are being presented as agency funds in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards.

Financial Highlights

Total assets of all Activity Funds amounted to \$1,444,634 at June 30, 2015, compared to \$1,537,512 of total assets in the prior year, which reflects a decrease of \$92,878. At June 30, 2015, total assets consist primarily of cash and temporary cash investments totaling \$1,336,199, compared to June 30, 2014 which reflected cash and temporary cash investments of \$1,412,584. This decrease in cash and temporary cash investments was due primarily to the excess of cash disbursements over cash receipts of \$75,857 during the fiscal year ended June 30, 2015. Total liabilities of all Activity Funds amounted to \$1,444,634 at June 30, 2015, compared to total liabilities of \$1,537,512 in the prior year.

Middle schools generate receipts for the Activity Funds primarily from student fees, athletic events admission, fund raising projects, donations and allocations from the District. Cash receipts of the Activity Funds amounted to \$4,266,430 during the fiscal year ended June 30, 2015, which reflects a \$101,592 decrease from prior year's cash receipts of \$4,368,022. Disbursements by the Activity Funds amounted to \$4,342,287 and \$4,337,186 during the fiscal years ended June 30, 2015 and 2014, respectively.

Continued

Management's Discussion and Analysis (Unaudited)--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

Contacting the Jefferson County Board of Education Financial Management

This financial report is designed to provide a general overview of the finances of the Jefferson County Board of Education Middle School Activity Funds and to show management's accountability for these funds. If you have questions about this report or need additional information, contact the Chief Financial Officer/Treasurer of the Jefferson County Board of Education, P. O. Box 34020, Louisville, Kentucky 40232-3674.

Combined Statement of Fiduciary Net Position

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

Assets

Cash	\$ 1,219,161
Temporary cash investments	117,038
Accounts receivable	3,048
Inventory	<u>105,387</u>

Total Assets \$ 1,444,634

Liabilities

Accounts payable	\$ 32,397
Due to student groups	<u>1,412,237</u>

Total Liabilities \$ 1,444,634

See Notes to Combined Statement of Fiduciary Net Position

Notes to Combined Statement of Fiduciary Net Position

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

Note A--Fund Structure and Summary of Significant Accounting Policies

Fund Structure--The Jefferson County Board of Education (the "District") Middle School Activity Funds (the "Activity Funds") provide funding for the programs in twenty-seven middle schools, special educational schools and other related facilities for District sponsored programs, and to supplement the activities provided by the District. The District prescribes policies for the supervision and administration of the Activity Funds, in accordance with the requirements of the Kentucky Department of Education as set forth in its publication, "A Uniform Program of Accounting for School Activity Funds." Salaries for the treasurers of Activity Funds and other administrative support are paid by the District and recorded in the District's General Fund.

Middle schools generate revenue for the Activity Funds primarily from allocations from the District, athletic event admissions, fund raising projects and donations.

Basis of Accounting--The combined statement of fiduciary net position of the Activity Funds has been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The combined statement of fiduciary net position was prepared in accordance with GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related standards.

The Activity Funds are fiduciary/agency funds of the District. For financial statement purposes, the accounting treatment applied to a fund is determined by its measurement focus. These fiduciary/agency funds are accounted for by using an economic resources measurement focus and the accrual basis of accounting.

Inventory--Inventory, consisting primarily of bookstore supplies and vending machine supplies, is stated at the lower of cost (using first-in, first-out method) or market.

Use of Estimates--The preparation of the combined statement of fiduciary net position requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of this financial statement. Actual results could differ from those estimates.

Subsequent Events--In preparing this financial statement, management of the District has evaluated events and transactions for potential recognition or disclosure through November 6, 2015, the date the financial statement was available to be issued.

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

Note B--Cash and Temporary Cash Investments

Generally accepted accounting principles require the Activity Funds to disclose how they address custodial credit risk, interest rate risk, credit risk and concentration of credit risk.

Statutes authorize the Activity Funds to invest in the following:

- (1) Obligations of the United States and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
- (2) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- (3) Any savings and loan associations insured by an agency of the United States up to the amount insured;
- (4) Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge securities having a current quoted market value at least equal to any uninsured deposits.

Temporary cash investments consist of certificates of deposit at various financial institutions located in Jefferson County, Kentucky, with various maturity dates and rates of interest. Such temporary cash investments are stated at cost, which approximates their market value.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Activity Funds' deposits may not be returned to it. All cash deposits and temporary cash investments of the Activity Funds are covered by depositor insurance provided by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor. Any amounts in excess of FDIC coverage are covered by pledged securities at the various financial institutions in the District's name.

By investing in certificates of deposit, the Activity Funds have minimized their exposure to credit risk. Interest rate risk is minimized by primarily investing in certificates of deposits with maturity dates of one year or less.

Continued

Notes to Combined Statement of Fiduciary Net Position--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

Note B--Cash and Temporary Cash Investments--Continued

Temporary cash investment activity during the year ended June 30, 2015 is summarized as follows:

	Temporary Cash Investments July 1, 2014	Deposits	Withdrawals	Temporary Cash Investments June 30, 2015
Barret Traditional Middle School	\$ 25,000			\$ 25,000
Carrithers Middle School	15,000			15,000
Highland Middle School	5,038			5,038
Thomas Jefferson Middle School	10,000			10,000
Noe Middle School	10,000			10,000
Stuart Middle School	52,528		\$ 528	52,000
	<u>\$ 117,566</u>	<u>\$</u>	<u>\$ 528</u>	<u>\$ 117,038</u>

Note C--Future Funding

Funding for the Activity Funds is generally dependent upon the fund raising ability of the students, parents and others in the middle schools, and the success of the other programs. Continuation of the various activities in each middle school is predicated upon the ability of students, parents and others to raise funds, the students' intent to continue their activities, and upon the District's continued support of these activities.

Combining Information

Combining Statement of Fiduciary Net Position

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

	Total	Barret Traditional Middle School	Binet School	Carrithers Middle School
Assets				
Cash	\$ 1,219,161	\$ 126,217	\$ 25,240	\$ 46,778
Temporary cash investments	117,038	25,000		15,000
Accounts receivable	3,048	2		
Inventory	105,387	8,820	624	1,783
Total Assets	\$ 1,444,634	\$ 160,039	\$ 25,864	\$ 63,561
Liabilities				
Accounts payable	\$ 32,397	\$ 3,180		\$ 70
Due to student groups	1,412,237	156,859	\$ 25,864	63,491
Total Liabilities	\$ 1,444,634	\$ 160,039	\$ 25,864	\$ 63,561

Continued

Combining Statement of Fiduciary Net Position--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

	Conway Middle School	Crosby Middle School	Duvalle Education Center	Farnsley Middle School
Assets				
Cash	\$ 41,087	\$ 113,809	\$ 4,530	\$ 85,378
Temporary cash investments				
Accounts receivable		75	42	15
Inventory	596	29	314	215
Total Assets	\$ 41,683	\$ 113,913	\$ 4,886	\$ 85,608
Liabilities				
Accounts payable		\$ 800	\$ 215	
Due to student groups	\$ 41,683	113,113	4,671	\$ 85,608
Total Liabilities	\$ 41,683	\$ 113,913	\$ 4,886	\$ 85,608

Continued

Combining Statement of Fiduciary Net Position--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

	Frost Middle School	Highland Middle School	Jefferson County Traditional Middle School	Thomas Jefferson Middle School
Assets				
Cash	\$ 9,166	\$ 37,634	\$ 111,886	\$ 32,696
Temporary cash investments		5,038		10,000
Accounts receivable	73			
Inventory	220		11,859	6,227
Total Assets	\$ 9,459	\$ 42,672	\$ 123,745	\$ 48,923
Liabilities				
Accounts payable			\$ 2,939	
Due to student groups	\$ 9,459	\$ 42,672	120,806	\$ 48,923
Total Liabilities	\$ 9,459	\$ 42,672	\$ 123,745	\$ 48,923

Continued

Combining Statement of Fiduciary Net Position--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

	Johnson Traditional Middle School	Kammerer Middle School	Alex R. Kennedy Metro Middle School	Knight Middle School
Assets				
Cash	\$ 41,874	\$ 111,999	\$ 9,199	\$ 12,059
Temporary cash investments				
Accounts receivable				
Inventory	19,324	1,595	23	753
Total Assets	<u><u>\$ 61,198</u></u>	<u><u>\$ 113,594</u></u>	<u><u>\$ 9,222</u></u>	<u><u>\$ 12,812</u></u>
Liabilities				
Accounts payable				
Due to student groups	\$ 61,198	\$ 113,594	\$ 9,222	\$ 12,812
Total Liabilities	<u><u>\$ 61,198</u></u>	<u><u>\$ 113,594</u></u>	<u><u>\$ 9,222</u></u>	<u><u>\$ 12,812</u></u>

Continued

Combining Statement of Fiduciary Net Position--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

	Lassiter Middle School	Meyzeek Middle School	Myers Middle School	Newburg Middle School
Assets				
Cash	\$ 38,451	\$ 65,240	\$ 19,492	\$ 44,798
Temporary cash investments				
Accounts receivable	140			
Inventory	5,666			3,849
Total Assets	<u>\$ 44,257</u>	<u>\$ 65,240</u>	<u>\$ 19,492</u>	<u>\$ 48,647</u>
Liabilities				
Accounts payable				
Due to student groups	\$ 44,257	\$ 65,240	\$ 19,492	\$ 48,647
Total Liabilities	<u>\$ 44,257</u>	<u>\$ 65,240</u>	<u>\$ 19,492</u>	<u>\$ 48,647</u>

Continued

Combining Statement of Fiduciary Net Position--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

	Noe Middle School	Olmsted Academy North	Olmsted Academy South	Ramsey Middle School
Assets				
Cash	\$ 42,929	\$ 12,633	\$ 43,296	\$ 96,304
Temporary cash investments	10,000			
Accounts receivable	1,537		384	
Inventory	1,085	4,156	7,813	22,887
Total Assets	\$ 55,551	\$ 16,789	\$ 51,493	\$ 119,191
Liabilities				
Accounts payable				\$ 23,312
Due to student groups	\$ 55,551	\$ 16,789	\$ 51,493	95,879
Total Liabilities	\$ 55,551	\$ 16,789	\$ 51,493	\$ 119,191

Continued

Combining Statement of Fiduciary Net Position--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2015

	Stuart Middle School	Waller Williams Environmental School	Western Middle School	Westport Middle School
Assets				
Cash	\$ 18,080	\$ 2,546	\$ 580	\$ 25,260
Temporary cash investments	52,000			
Accounts receivable	660	120		
Inventory	4,980	11	143	2,415
Total Assets	\$ 75,720	\$ 2,677	\$ 723	\$ 27,675
Liabilities				
Accounts payable	\$ 1,821	\$ 60		
Due to student groups	73,899	2,617	723	27,675
Total Liabilities	\$ 75,720	\$ 2,677	\$ 723	\$ 27,675

See Independent Auditors' Report

Combining Statement of Cash Receipts and Disbursements

**Jefferson County Board of Education
Middle School Activity Funds**

Year Ended June 30, 2015

Name of School	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015
Barret Traditional Middle School	\$ 126,481	\$ 311,918	\$ 312,182	\$ 126,217
Binet School	34,725	49,638	59,123	25,240
Carrithers Middle School	35,307	139,851	128,380	46,778
Conway Middle School	37,837	98,480	95,230	41,087
Crosby Middle School	109,472	309,507	305,170	113,809
Duvalle Education Center	4,594	10,415	10,479	4,530
Farnsley Middle School	82,968	241,800	239,390	85,378
Frost Middle School	12,958	15,379	19,171	9,166
Highland Middle School	62,946	150,395	175,707	37,634
Jefferson County Traditional Middle School	62,286	325,229	275,629	111,886
Thomas Jefferson Middle School	39,034	81,902	88,240	32,696
Johnson Traditional Middle School	85,790	160,744	204,660	41,874
Kammerer Middle School	135,826	275,334	299,161	111,999
Alex R. Kennedy Metro Middle School	16,655	5,478	12,934	9,199
Knight Middle School	6,181	43,594	37,716	12,059
Lassiter Middle School	44,394	87,991	93,934	38,451
Meyzeek Middle School	34,399	351,145	320,304	65,240
Myers Middle School	30,099	36,344	46,951	19,492
Newburg Middle School	47,740	163,863	166,805	44,798
Noe Middle School	96,301	387,061	440,433	42,929
Olmsted Academy North	11,852	51,476	50,695	12,633
Olmsted Academy South	45,655	124,355	126,714	43,296
Ramsey Middle School	88,940	394,672	387,308	96,304
Stuart Middle School	25,616	159,440	166,976	18,080
Waller Williams Environmental School	5,605	11,855	14,914	2,546
Western Middle School	2,850	59,993	62,263	580
Westport Middle School	8,507	218,571	201,818	25,260
Total	\$ 1,295,018	\$ 4,266,430	\$ 4,342,287	\$ 1,219,161

See Independent Auditors' Report

Report Required by *Government Auditing Standards*

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***



**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined statement of fiduciary net position of the Middle School Activity Funds (the "Activity Funds") of the Jefferson County Board of Education (the "District") as of June 30, 2015, and the related notes to the combined statement of fiduciary net position, which collectively comprise the Activity Funds' basic financial statement, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Activity Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Activity Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Activity Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of the District in a separate letter dated November 6, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Activity Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Activity Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Louisville, Kentucky
November 6, 2015